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SUBJECT: SINO-JAPANESE RELATIONS AFTER PM FUKUDA'S
RESIGNATION

Classified By: Political Minister Counselor Aubrey Carlson. Reasons 1.
4 (b/d).

11. (C) Summary: Although Japanese PM Fukuda was instrumental in improving Sino-Japanese relations and neither of his likely immediate successors are instinctively pro-China, Japan's growing economic reliance on China, coupled with pro-China Liberal Democratic Party (LDP) leaders holding key positions, should help prevent the bilateral turmoil that characterized the tenure of Prime Minister Junichiro Koizumi, Fukuda's predecessor-once-removed, according to several Embassy contacts. Chinese leaders have made the decision to seek good relations with Japan, and only a major misstep (from the Chinese point of view) by the next Prime Minister could change that. Should Democratic Party of Japan (DPJ) leader Ichiro Ozawa eventually become Prime Minister after the next Japanese general elections, our sources predict that Ozawa would temper his views toward China and the DPJ would not allow its previous links to Taiwan's Democratic Progressive Party to stand in the way of bilateral ties. We note a bit of hubris among Chinese scholars who see Japan's political and economic struggles taking place in the wake of China's economic rise, successful Olympics and return to the global stage. End Summary.

Fukuda's Major Accomplishment: Better Ties with China

12. (C) Although Japan watchers in Beijing uniformly credited President Hu Jintao as the primary force behind the recent improvement in Sino-Japanese relations, in a series of recent meetings with PolOff they acknowledged the pace of improvement would not have been possible without the leadership and collaboration of recently resigned Japanese PM Yasuo Fukuda. Dr. Liu Jiangyong, Professor at the Institute of International Studies at Tsinghua University, described the frosty bilateral relationship Hu and his predecessor Jiang Zemin had with then-Japanese PM Junichiro Koizumi, a relationship punctuated by anti-Japan protests in China after Koizumi's visit to Tokyo's Yasukuni War Shrine and by anti-China sentiment in Japan caused in part over territorial disputes over the Senkaku/Diaoyu Islands. Liu contrasted the state of the Hu-Koizumi era with the Hu-Fukuda partnership by pointing to the June 2008 agreement under which Japan and China may develop jointly the gas fields in the East China Sea, the same area which was the source of so much controversy.

13. (C) MFA Asian Affairs Department Japan Division Deputy Director Lu Guijun credited Hu Jintao's "vision" and Fukuda's "leadership" as the primary factors for the "unprecedented" good relations between China and Japan. Dr. Liang Yunxiang, a Japan Studies Professor at the Institute of International Studies at Beijing University, said that Fukuda was the right man at the right time to seize upon Hu's willingness to improve links with Tokyo. Dr. Jin Xide, Deputy Director of the Institute of Japanese Studies at the Chinese Academy of Social Sciences (CASS), praised Fukuda for taking the

political risks of reaching out to Beijing and resisting using the "China threat" tactics Koizumi and others used to drum up support among the LDP right wing.

The Chinese Leadership Wants Good Relations with Japan

¶4. (C) Our contacts all agreed that President Hu strongly supports close links with Japan and it would take a major faux pas on the part of the next Japanese Prime Minister to change that policy. MFA's Lu said that China and Japan have agreed on new principles of cooperation and are committed to using dialogue to solve bilateral problems. Both China and Japan "agree that China's development is an opportunity," said Lu. Liu from Tsinghua and Liang from Beijing University both maintained that it would take a major anti-China move on the part of the next Japanese leader to cause Hu to abandon his engagement policy with Japan.

Other Key LDP Leaders Favor Sino-Japanese Ties

¶5. (C) Although all of our contacts were surprise by Fukuda's sudden resignation announcement on September 1, they expressed belief that his legacy of improved Sino-Japanese links will endure. Dr. Liu from Tsinghua University noted the importance to the relationship of Fukuda's top advisors, especially Minister of Economy, Trade and Industry Toshihiro Nikai and Minister of Construction and Transport Sadakazu Tanigaki. Liu pointed out that Nikai has long had good relations with senior Chinese officials and delivered Tokyo a major public relations victory in China by delivering

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Japanese relief supplies to victims of the May 12 Sichuan earthquake. "The goodwill generated by the Japanese assistance lingers and helped convince Chinese officials to discuss publicly the extent and amount of Japanese foreign development assistance, a subject that was previously not publicly discussed," said Liu. Dr. Jin from CASS predicted confidently that no matter who the LDP elects in late September as its next leader and Prime Minister, both Nikai and Tanigaki will continue to hold high offices and support strong Sino-Japanese relations.

The Business Community is Louder Than the Far Right

¶6. (C) Liang from Beijing University maintained that Koizumi and, to a lesser extent, then-PM Shinzo Abe were prisoners of their polemics and could only move so far toward improving relations with China or risk strong criticism from the radical right wing in Japan. Tsinghua's Liu agreed, saying that "Important factions within the LDP forced Koizumi to visit the Yasukuni War Shrine despite the anger such visits stirred in China." Separately, Liu and Jin from CASS both maintained that the hard-line, right-wing LDP factions that urged Japanese leaders to visit Yasukuni have now lost the upper hand to Japanese business interests who are increasingly reliant on the Chinese market. "Toyota and Matsushita are telling the Japanese leaders to stay away from Yasukuni lest they kill their firm's ability to make greater profits off of the China trade; with Japan's economic troubles, Japanese leaders can no longer risk alienating China," Jin said. (Note: We leave it to our colleagues in Tokyo to assess the merits of this Chinese analysis of Yasukuni visits. We note that Hiroyuki Namazu, Counselor at the Japanese Embassy in Beijing, told us that while he doubts a future PM will visit Yasukuni, it would be unwise to totally rule out such a visit.)

Views on Taro Aso

¶7. (C) Our Chinese interlocutors unanimously predicted that Taro Aso will be the next PM of Japan. They were all aware

of Aso's perceived anti-China baggage. Jin from CASS recounted Aso's remarks several years ago suggesting that the Japanese colonization of Taiwan was a good thing for Taiwan's development and noted that Aso still has not adequately explained his father's (Takakichi Aso) exploitation of Korean forced labor during WWII. That said, Jin believed Aso will have the same pro-China economic advisors as Fukuda and the same pressure from Japanese business to avoid hurting business interests by saying inflammatory things about the War.

18. (C) Liang Yunxiang expressed some concerns over Aso's policies as Foreign Minister under Koizumi and Abe. Liang noted that as Foreign Minister, Aso's economic and foreign assistance policies toward other Asian nations were interpreted by some in Beijing as designed to contain China. That said, Liang shared the view that a Prime Minister Aso would be pushed by his economic advisors and influential members of Japan's business community not to antagonize China.

Yuriko Koike

19. (C) Our scholarly contacts were dismissive of Koike's chances to be Prime Minister this year. "Japanese politics are extremely conservative; I doubt Japan is ready for a female PM," said Liu. Jin from CASS also thought Koike will not replace Fukuda but acknowledged that, with the recent history of Japan changing Prime Ministers every year, "her time may come soon." Jin held that, since Koike is also a member of the right-wing faction of the LDP, she may feel a need to burnish her credentials with Japanese hawks and be as tough as Koizumi on issues like defense spending and curbing the rise of China. "She might feel like she is Japan's Margaret Thatcher," he said.

Ichiro Ozawa

110. (C) Our contacts tended to view DPJ leader Ozawa as a political opportunist whose conservative foreign policy views may be tempered by the DPJ's progressive domestic platform. Although Jin from CASS expected Ozawa would listen to his economic advisors and not be antagonistic toward China, he noted that Ozawa was fairly conservative toward China when he was with the LDP. Jin suggested that the Democratic Party of Japan's former close links with then-Taiwan President Chen Shui-bian and Taiwan's Democratic Progressive Party may be

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cause for concern with Chinese leaders should Ozawa win the next general election. Liu from Tsinghua had a slightly different take on Ozawa: "If the Democratic Party of Japan wins the next election, relations with China will continue to improve in part because the (DPJ's) opposition to supporting U.S. efforts in Iraq and Afghanistan will make the DPJ a more palatable partner for China," he said.

Public Opinion

111. (C) Recent Xinhua polling of Chinese citizens' views toward Japan indicates that more Chinese view Japan favorably than in recent years. At the same time, polling by the Yomiuri Shimbun and others in Japan suggests in contrast that a growing number of Japanese view China with suspicion. Liang from Tsinghua attributed these trends to the "problems of a free press." "In China, once Hu Jintao and others decided to improve relations with Japan, all the media organs had to run pro-Japan stories," Liang said. "Meanwhile, Japan's free press was able to run stories about Chinese-manufactured tainted gyoza/dumplings poisoning Japanese and the 'rise of China' to sell papers and increase suspicion in Japan." Jin from CASS drew a similar conclusion, adding "as China continues to rise, Chinese leaders must take into account foreign public opinion. I

think we should apologize for the dumplings."

¶12. (C) While not addressing the need to apologize or the merits of press freedom, Lu from MFA also observed the general pro-Japan tenor of recent articles in China, especially after Hu Jintao's June visit to Japan. Despite the Yomiuri polling, Lu thought that Hu's visit and the recent bilateral agreements will change Japanese public opinion.

Are the Chinese Guilty of Hubris?

¶13. (C) The Chinese scholars we spoke with have extensive experience and numerous degrees from top Japanese universities, including Tokyo University and Waseda. Despite such pedigrees, their comments on the future of Sino-Japanese relations evinced a hint of arrogance and nationalism. Liang from Beijing University maintained that the "old economic relationship where Japan was stronger than China is over." Liu from Tsinghua seemed convinced that most Japanese economic leaders accept the fact that China's economic rise and Japan's stagnation will continue for years. Perhaps most dogmatic was Jin from CASS who likened today's Japan to Scandinavia "filled with young people who want to travel, spend money, and enjoy consumer goods, while China is like the Japan of the 1960s when Japanese worked hard." When PolOff shared this observation with Namazu from the Japanese Embassy, he smiled and replied, "I seem to recall hearing similar things from Japanese in the 1980s when they discussed America and wrote 'The Japan Who Can Say No;' perhaps the future is not preordained. In any event, Scandinavia is a nice place."

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